By Alsir Sidahmed

May 15, 2014 - A statement attributed to Petroleum Minister Eng. Makkawi Awad that Sudan’s oil reserves stand at 4 billion barrels raises more questions than it gives answers.

For one that figure raises the country’s reserves to 80 percent of what it used to be before South Sudan separation in 2011 that took with it an estimated 75 percent of the 5 billion barrels known reserves of then one Sudan.

More confusing the said statement implies that increase is attributed to ‘discoveries in new blocs’, which means in effect that reserves in the whole country are more than the 4 billion barrels mentioned. The ‘new blocs’ phrase refers to the Third Bid Round awarded in 2012 to nine foreign companies. But the problem with this is that none of the companies’ awarded contracts have announced any discovery since then. Actually none of them have started digging any exploratory wells or in most cases even entered into the phase to use the 3-D surveys. In fact the current impression within the industry is that only Petra Energy of Brazil, which entered into partnership in the two blocs (9) and (11), seems to be highly active and may start digging its first well in the coming few months.

Moreover, the new figure of 4 billion barrels reserve is more than five folds the latest official figure on reserves spelled out by former minister Dr. Awad El-Jaz, who told the States’ Council, the lower chamber, back in 2012 that Sudan’s recoverable reserves stood at 762 million barrels. In the following year the US Energy Information Administration (EIA) quoted the BP Statistical Year Book that Sudan reserves were put at 1.5 billion barrels.

However, in all these cases it is not clear whether the reference was to proven, possible or potential reserves. Each has its own implications.

More important and currently pressing actually is not the level of the reserve, but volume of production. It is clear that Sudan has some oil reserves, regardless of the actual figure. How to tap that reserve and pump out that oil is the main challenge facing not only the country’s oil industry, but its political leadership in the first place.

For more than three years after the separation of South Sudan, Khartoum failed to raise production to 200, 000 barrels per day (bpd), seen as the comfortable production level that would satisfy both the growing domestic consumption and foreign companies’ entitlements. Though some new additional production came on-stream, but it was in small amounts ranging between 5, 000 to 10, 000 bpd and was used mainly to replace diminishing production from ageing fields.

In fact there is quite potential in existing old producing fields namely blocs -6, 17 and 2&4. Bloc-17 for instance has some wells like Annajmas that were discovered in 2011 and came out on-stream in the following year to be the first new production after the separation. Also with the laying down of the 12”, 147-km pipeline that links the east and the west of bloc-6 new areas of good potential will be tapped. Already two fields Sefian and Shawka are expected to start production in the near future.

However, Sudan’s oil industry faces serious challenges that block its potential. High on the list is the security and political instability in Southern Kordofan and Darfur states where fields with great potential are located. The fighting with the Sudan Revolutionary Front (SRF) that comprises the SPLM-N and Darfur rebel groups is one factor, in addition to the general deterioration in security conditions. But more seriously is the growing demand by local communities to have their share of the oil wealth pumped out of their land. It became a normal practice to force companies stop work till some community demands are met in terms of providing some services or job opportunities. The 147-km pipeline took double the time planned to carry out the project because of intervention by community members. The result of this environment is that operating companies are less enthusiastic to put more investments.

In addition, there is the tightening of the economic sanctions initiated by the United States and includes now growing number of European and Gulf financial institutions, which makes it difficult for some foreign companies to make needed transactions and carry out their businesses.

These after all are issues that need political solution and unless that happens, Sudan oil industry will continue its modest development and inability to tap on whatever reserve it has.

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